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ASSESSING THE POTENTIAL FOR SOUTH AFRICAN CLOTHING EXPORTS TO THE UNITED STATES

Research Report to the South African Department of Trade and Industry (DTI)

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I. INTRODUCTION

This report assesses South Africa's US apparel export potential to export apparel to the US market in the near term, 2002-2005. The project's terms of reference note: "while there are indications that South Africa's exports to the US are increasing rapidly, there are indications that the rate of increase is very significantly below potential". Three objectives were, therefore, set forward:

- Assess South Africa's current export performance;
- Assess the potential for South African clothing exports to the US over the short-medium term – approximately two years; and
- Identify key policies that are necessary to realize that potential.

II. SUMMARY

The performance of South Africa's garment exports to the US for the first half of 2002 has been mixed. Some segments of South Africa's clothing industry have experienced rapid growth in exports to the US, while others have suffered under changing international market dynamics. The African Growth and Opportunity Act (AGOA) ushered in both new export opportunities and new challenges for South Africa. The AGOA provides new opportunities by offering the elimination of US duties, in addition to quota protection. However, it constrains South Africa to using regional (US or sub-Saharan) fabrics and yarns. Where regional fabrics have been able to meet AGOA requirements, South Africa's export performance has been positive and comparable to other sub-Saharan Africa countries. Under the current regime, overall export performance is projected to decline, and then improves as South Africa's textile and apparel producers adapt to the new rules of origin and international standards.

Estimates of South Africa's potential exports to the US, under conservative assumptions, conclude that the tariff benefits of the AGOA agreement alone should provide South Africa a nearly one-third boost in exports. Simulations assuming South Africa's rapid response to US demand (this would be in the form of attracting large transnational firms), would increase South Africa's exports to the US by US $232 million or 164 percent. Estimates of benefits resulting from cost reductions of approximately 20 percent, combined with the AGOA benefits, and the ability of South Africa to attract transnational clothing manufactures, exceed US $0.5 billion, for a US import market share of a little over 1 percent[1]. If these estimates seem high to some, they certainly appear modest to

[1] As such, South Africa alone would not exceed the AGOA cap on duty free imports.

others; Guatemala exported US $1.6 billion in garments to the US in 2001[2]. These exports, of course, are associated with thousands of low skill jobs.

If South Africa maintains its current course, which is not enacting policy changes to reduce costs and meet international competition, the gap between South Africa's potential and its actual performance will grow. By 2004, the gap between potential and actual exports will have expanded to US $178 million with exports reaching only 54 percent of potential. Still, these figures do not account for loses South Africa would incur if the AGOA LDC provision is not renewed in October 2004. At that time, if South Africa has not adjusted to the competition in the new trade environment, it will most certainly lose much of what it gained as other AGOA countries bid away precious regional fabrics and yarns.

If South Africa is to reach this potential, it must enact major policy changes accordingly. Of first importance, South Africa must gain access to export quality, competitively priced, regional fibres, yarns and fabrics that meet AGOA requirements. The chief options for addressing the yarn and fabric constraint include:

- reducing and eliminating duties on imported fabrics[3];
- abolishing raw cotton procurement requirements for textile firms;
- aggressively promoting the use of US yarns and fabrics;
- increasing coordination between textile and garment firms (full package processing[4]).

Second, South Africa must move rapidly to align its industrial, labor and trade policies with best world practices, or, at least, with its regional competitors in sub-Saharan Africa. In this way, South Africa can position itself to meet and retain its potential. Possible realignments to policies affecting costs in South Africa's clothing industry include:

- Creation of Export Procession Zones (EPZs) in or near the decentralized areas[5];
- fostering a cooperative, flexible and non-confrontational labor environment that rewards labor based on productivity and accounts for the volatile nature of international demand where retrenchments and rapid growth are equally likely while strictly adhering to codes of conduct maintaining labor standards.

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[2] Industry sources report that nearly 60 percent of Guatemala's apparel firms are Asian owned and operated (Textile World, May 2001).
[3] Assuming a change in the AGOA rule of origin is not an option.
[4] Full-package production requires garment suppliers to manage every aspect of the apparel supply pipeline, from the fibre to the showroom floor.
[5] An efficient duty rebate system can compensate for the lack of EPZs. However, EPZs have other advantages, including rapid customs clearance and lower administrative costs. Since garment manufactures do not pay duties working capital is made available for further investments. Moreover, domestic producers selling into an EPZ could claim a VAT exemption. The role of an EPZ in attracting foreign investment must also be considered, since they are becoming a norm throughout the world.

- access to a competitively priced materials pipeline free from levies such as VAT, import duties, and distorting regulations coupled with the elimination of production distorting export incentive schemes such as DCCS;
- alignment of corporate tax rates with industry standards.

Finally, South African firms must understand that the new export paradigm requires cooperation between textile firms and the garment industry. Buyers in the US agree: firms that are successful in the garment industry share common values with all links in their supply chain—whatever those values and goals might be. Independence is not an option for either group to succeed in the US market.

The AGOA agreement requires a complete rethink of South Africa's policies affecting exports of apparel to the US. Not simply because it offers duty benefits, these are important, but because it is a catalyst for changes within the sub-Saharan region that affect South Africa. South Africa must adapt to these changes to reach its potential. Many of South Africa's leading industrialists are sitting on the side lines in a "neutral zone" while opportunities in the world market are rapidly passing.

The window of opportunity for South Africa to join the international garment production community is closing. The LDC provision will expire in October, 2004 and most ominous, quotas will be eliminated in 2005**. If South Africa does not build its capacities now, it will most certainly be left behind. Extensive, interviews of US buyers concludes that most will decrease the number of countries they source their apparel from by two-thirds shortly after 2005[6]. If South Africa does not expand its exports rapidly to build the capacities required to service the needs of buyers, they will likely suffer severe losses when quotas are eliminated.**

This report has four main sections. The first section sets the international stage by reviewing the major US trade agreements governing US trade in textiles and apparel. These include the AGOA, the World Trade Organization (WTO) Agreement on Textiles and Clothing (ATC) and its predecessor, the Multi-Fiber Agreement (MFA), and advancing free trade areas in North, South and Central America. Also provided in this section on trade agreements are calculations of quota and duty benefits South Africa enjoys. The second section presents the recent performance of US imports from South Africa. It further demonstrates the effect of available regional fabric on South Africa's export performance. The third section provides estimates of South Africa's potential to export to the US market. Finally, the fourth section takes up policy recommendations to the Department of Trade and Industry (DTI) to meet its potential in this sector.

[6] See The President's Report to the Congressional Textile Caucus on the US Administration's Efforts on Textile Issues at www.otexa.ita.doc.gov.

III. CHANGING INTERNATIONAL TRADE RULES INCREASING COMPETITION

1. The Agreement on Textiles and Clothing (ATC)

The most important determinant of international trade in textiles and apparel today is the Agreement on Textiles and Clothing (ATC); its significance is no less important for South Africa. The ATC and its predecessor, the MFA, have regulated developing country textile and apparel exports to the developed markets for over 30 years. The principal mechanisms for regulating this trade are limits (quotas) on exports from the major low cost textile and apparel producers, such as China, India and Pakistan, for example. These restrictive quotas are causing buyers and producers to look for non-quota constrained countries to supply the US and EU markets. Many smaller, higher cost, less developed countries, such as those in sub-Saharan Africa, have been provided valuable exports and jobs as a result of textile and apparel quotas. Quotas are a shield from open competition, channeling buyers and producers into the Sub-saharan region.

The presence of large transnational producers in South Africa is well known, if poorly documented[7]. Data for 2001 show that over 75 percent of South Africa's exports to the US are in two quota categories that are regulated by the most restrictive quotas—cotton trousers and knit cotton shirts\blouses. This stands in stark contrast to the US average import share of 33 percent for these products. This is a strong indicator that US quotas play a significant role in South Africa's exports to the US. Other sub-Saharan Africa countries reveal similar patterns.

A review of average unit values (a proxy for prices) of US imports from South Africa in the two categories demonstrates that the majority of South Africa's exports do not compete in the upper price tiers where product styling and marketing play an important role. A further indication South Africa is filling a void left open by quotas[8].

The ATC provides for the phase out of all US and EU quotas, culminating in 2005, when the quotas on these sensitive products will be removed and exporters, such as South Africa, will face open competition with the large, low cost, Asian suppliers. **It is this date that the DTI must focus on, because, after that, it will be far more difficult for South Africa to attract foreign direct investment (FDI) as producers will have a wider range of opportunities to locate to without quotas.** Moreover, US buyers will have consolidated their purchases to several low-cost locations, reducing expensive logistics management that the current system encourages and which South Africa is dependant on.

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[7] Surveys of foreign ownership in the South African textile and apparel industries have not been conducted.
[8] Generally, Asian producers manufacture the most expensive value added garments in quota constrained countries to maximize their return on the purchase of expensive quota.

2. *The African Growth and Opportunity Act (AGOA)—Opportunities and Constraints*

While US quotas continue to be the driving force behind US buyers sourcing from sub-Saharan Africa (SSA), the reasons why US buyers are coming to South Africa are changing. US President Clinton initiated the African Growth and Opportunity Act (AGOA) on October 1, 2000, providing SSA countries with duty and near quota free access to the US market[9]. South Africa, being a SSA country, was certified for apparel export benefits in March of 2001. However, South Africa, like Mauritius had its benefits textile constrained, requiring these two countries to use regional\local fabrics and yarns. There in lies the constraints of AGOA for South Africa.

A special provision in the AGOA agreement permits countries with average per capita income below $1,500 US to use non-regional yarns and fabrics, such as those from China, India and Pakistan. These yarns and fabrics are often much cheaper than US or South African counter parts (if they exist). Regional cotton fabrics and yarns are reported to carry a premium over similar Asian materials. This "regional fabric surcharge" can outweigh the AGOA duty benefits and renders the AGOA moot for many South African exporters. These LDC countries have been provided an unprecedented advantage, vis-à-vis, South Africa. Unless extended, the LDC provision is scheduled to expire on October 1, 2004.

There is no question that South Africa's exports are largely tied to US quotas. Other countries in sub-Sahara Africa are rapidly joining this club. These countries are coupling liberal quota provisions, with:

- access to an unlimited range of imported, competitively priced materials, including fabrics and yarns;
- tax holidays; and
- attractive investment and labor regulations specially crafted to encourage textile and apparel production.

Sub-saharan counties offering investment incentives, low-cost labor and tax breaks to lure foreign investors *before* quotas are removed in 2005 are positioning themselves for the future—when the rules of the game change, once again. Namibia and Botswana have recently been certified as LDC countries, illustrating the continuing threat this process poses to South Africa. **As a result, US buyers are increasingly shopping for lower delivered prices, rather than for available suppliers in the region.** Can South Africa's producers adapt to this rapidly changing environment? This is where South Africa's potential lies.

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[9] Although the AGOA was initiated in October 2000, each sub-Saharan African country had to be certified for AGOA textile benefits in order to export duty free apparel to the US. This certification did not start to occur until the end of the first quarter of 2001. The AGOA club continues to grow as more SSA countries are certified for AGOA textile benefits. Appendix I includes a list of SSA countries and the timing of their AGOA textile certification.

3. US Preferential Trade Agreements—NAFTA, CBI and ATPA

Before turning to South Africa's performance under the changing trade rules, the trade landscape needs to be expanded to other US preferential supply agreements since they can have significant effects on South Africa's ability to meet its potential in this sector. Three preferential supply agreements other than the AGOA are of major significance to textile and apparel exporters to the US: the North American Free Trade Area (NAFTA), the Caribbean Basin Initiative (CBI), and the Andean Trade Preference Act (ATPA). The NAFTA agreement has reached its peak and there are few additional benefits Mexican producers can obtain through additional trade preferences[10].

The CBI and ATPA preferential agreements are rapidly progressing towards free trade agreements which would confer on them permanent quota and duty free exports to the US, and not incidentally, the use of a broader range of regional fabrics produced in Mexico the US, and locally. Of more immediate importance, duties levied on value added in the Caribbean Basin Initiative (CBI) countries have recently been removed.

Significant capacities exist in Central and South American countries, not only for the dying and finishing of *greige* fabrics, but raw cotton for spinning and the production of yarns and fabrics, which have not been permitted regional status to date. In short, changing trade preferences and the rules of origin will invite further investment to those regions and extend their supply chain towards lower cost fabrics, resulting in new competition for all suppliers to the US market, including South Africa.

Producers in the CBI and ATPA countries use a variety of industrial and trade policies to promote their competitiveness. Labor is often paid by the piece and export processing zones (EPZs) are in wide use. Known throughout the region as *Maquiladoras*, these EPZs flourish with US and Asian foreign direct investment, tax incentives and transparent customs procedures into and out of the processing zones[11]. Ocean freight takes as little as 2 days from Cartagena, Colombia to Miami. Over 75% of ATPA apparel is air-freighted to the US, because the cost of airfreight is quite low. Under these conditions, countries, as small as Guatemala, boast exports that are counted in billions of US dollars, employing hundreds of thousands of workers in the region. The region is poised to further expand exports to the US before they face open competition with Asian suppliers after 2005.

The United States Trade Representative notified the US Congress on October 1, 2002, in accordance with US law, that the President intends to negotiate a free trade agreement (FTA) with five member countries of the CBI, including Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua—as a part of its objective to achieve a Free Trade

[10] Although not a subject of this report, South African producers may soon confront additional competition from Mexico in the EU market, since the EU and Mexico concluded a free trade agreement that provides Mexico duty free access to the EU starting in 2003.
[11] Export processing zones in the Caribbean permit rapid customs clearance and duty free imported materials crucial to apparel production without compromising domestic markets with illegal imports since the zones are generally secure areas.

Area of the Americas (FTAA), extending from Tierra del Fuego to Alaska, by January 1, 2005[12]. In public comments, the American Textile Manufactures Institute (ATMI) noted the effects of a free trade area with Central American countries: "*In addition, preferential trade agreements with sub-Saharan Africa and the Andean region, which generally prohibit the use of Asian yarns and fabrics, would suffer devastating losses as well.*"[13]

4. Preferential Trade Benefits—Duties and Quotas

To understand the varying dynamics of the aforementioned trade agreements, an understanding of US duties and quotas from a South African perspective is needed. US duties vary, principally by fiber type and fabric construction (knit vs. woven). The restrictions posed by US quotas also vary by fiber and fabric construction, with the most restrictive US quotas being on cotton apparel (knit and woven).

US average applied duties on South Africa's apparel reflect this bias: higher duties on man-made fibers and lower duties on cotton apparel:

Table 1. 2001, Average Applied Tariff Rates by Fibre Type and Fabric Construction (%)

		South Africa	US MFN
MMF	Knit	28.6	26.5
	Woven	23.1	19.1
Cotton	Knit	17.1	15.7
	Woven	16.7	15.5
Wool	Knit	10.2	13.0
	Woven	18.2	16.9

Source: US Department of Commerce data from the US Customs Office. Values are averages of applied duties and vary due to compositional differences.

South Africa does not export significant quantities of knit wool apparel (sweaters), so, five US duty levels are relevant to South Africa. These range from a high of 28.6 percent for knit MMF apparel to a low of 16.7 percent on woven cotton garments—a difference of 12 percentage points. Woven wool apparel, with an average duty of 18.2 percent, is in an intermediate position, between cotton duties on the low end and MMF duties on the high end. The variation in US applied duties reflects the bias of US import restrictions—which favor quotas on cotton apparel over duties.

Table 2. lists US quota categories with the highest number of countries constrained by quotas compared with US imports from South Africa. **Eighty percent of US imports from South Africa are in the top 10 quota constrained categories**. **Seven of the top ten categories restrict US cotton imports.**

[12] At the writing of this report, trade ministers from the Americas are gathering in Quito, Ecuador for a trade ministerial advancing negotiations to their goal of an FTAA *by* January 1, 2005.
[13] This comment was in reference to the rule of origin being negotiated for the five Central American countries and, therefore, is highly relevant to South Africa's current position relative to LDC producers in sub-Saharan Africa.

Table 2. US Quota Categories with the Highest Number of Countries Quota Constrained in 2001

US Quota Category	Fibre Type	Product	Number of Countries Constrained by US Quotas	Cumulative Percent of US Imports from South Africa
347	Cotton	M&B TROUSERS	22	16
348	Cotton	W&G TROUSERS/SLACKS	22	27
339	Cotton	W&G KNIT SHIRTS/BLOUSES	17	54
648	MMF	W&G SLACKS	17	55
338	Cotton	M&B KNIT SHIRTS	16	77
647	MMF	M&B TROUSERS	16	79
351	Cotton	NIGHTWEAR/PAJAMAS	13	79
651	MMF	NIGHTWEAR & PAJAMAS	12	79
345	Cotton	SWEATERS	11	80
335	Cotton	W&G COATS	9	80

Source: Based on data from US Department of Commerce Office of Textiles and Apparel. Calculations by the authors. A quota is defined as constrained if it is more than 85 percent filled.

Tariff equivalents of quotas will vary by country and product, but as an illustration, tariff equivalents for Hong Kong and China-PRC were calculated for the top 4 South African exports—cotton trousers and knit shirts[14]. These products comprised about three-fourths of US imports from South Africa and are the most restrictive quota categories. Quota premia on US imports from Hong Kong exceed 100 percent. Quota Premia on US imports from China, a good deal lower, range from 25-30 percent.

Comparing these quota premia to the values in Table 1, it is clear that quota protection is at least double the average applied duties in these cotton apparel categories. In man-made fibres, higher average US duties provide primary protection to preferential suppliers to the US.

Sub-Saharan African countries that had constraining quotas removed as a result of the AGOA were provided a benefit not conferred on other, non-constrained countries, such as South Africa. Mauritius, Lesotho and Kenya had constraining quotas before the AGOA and, therefore, were provided incremental quota benefits under AGOA.

[14] Although these products are represented by four US quota categories, the US Customs office merges the products into two categories.

IV. Recent Performance of US Imports from South Africa

1. Recent Performance

With the understanding of AGOA benefits favouring other SSA exporters, either by the rule of origin, or the elimination of quotas, and the knowledge that US importers primarily source from South Africa because of quotas, it is not surprising South Africa is having difficulty achieving its potential[15]. Yet, this needs to be examined from the perspective of important differences in the structure of exports by fabric type between SA and other important sub-Sahara Africa countries. For this purpose, it is convenient to define a group of major exporters—the AGOA-5—including Mauritius, Lesotho, Swaziland, Kenya, Madagascar.

Table 3. summarises the key patterns which emerge from analysis of US trade data. **The picture depicted is that of recent difficulties for South Africa. Moreover, the export difficulties observed are specific to South Africa. In other words, some adverse developments are taking place in South African trade which cannot be attributed solely to September 11 effects, regional events, or US apparel consumption.** It is important to stress that the difficulties, which appear in the aggregate, are driven by the performance in the dominant fibre, cotton. This performance can be the result of just a few large producers or large shipments shifting from South Africa. Here a distinction must be made between established South African owned manufactures and foreign trans-national firms. Trans-national firms are adept at changing production locations or shifting large orders across borders at a moment's notice, while South African owned and operated firms have a narrower range of production options.

Table 3. US Import Performance 2000 through First Half 2002

	South Africa	AGOA-5
US Market Share	Declining since Q3 2001	Increasing since Q2 2001
Quarter-over-Quarter Growth[16]	Positive through Q3 2001; negative Q4 2001 to the present	Always positive
Growth Rate	Positive but declining since Q3 2001; negative and declining since Q1 2002	Steady and positive

Source: US Department of Commerce, Imports of Merchandise Trade. Analysis in US dollars.

[15] The data utilized in this report are from the US Department of Commerce import statistics. Because customs officials collect duties on imported goods, they are concerned with reporting imports more accurately than exports, which do not have duties assessed. Usually, South African exports and US imports are similar in their total values, when adjusted for currency differences. However, because of the rapid and deep depreciation of the Rand over the period of investigation, there are some important differences between US and South African data. South Africa's export data paint a mixed picture for 2002. First quarter data indicate growth over the comparable period in 2001. Second quarter data 2002 report a decline in South Africa's exports over 2001.

[16] See appendix I—figure 2 for a graphical representation.

While the overall performance of South Africa's exports has been that of recent decline, important differences exist by major fibre types:

- *US imports of South African apparel constructed principally of **cotton** fibres are declining.* Historically, cotton garments have dominated South Africa's exports to the US. While US imports of cotton apparel, from all sources, typically comprise 52 percent of total US imports, US imports from South Africa were disproportionately cotton—comprising 91 percent of US imports from South Africa in the first half of 2001. For the first half of 2002, US imports of apparel constructed of cotton fibres declined to 74 percent of US imports from South Africa—a 17 point decline in one year[17]. This decline is unique in the sub-Saharan African region. US imports from the AGOA-4 (AGOA-5 less Mauritius) have increased, while Mauritius has managed to maintain its historical level of exports (not surprising since it had restrictive quotas removed under AGOA).

- *US imports of South African apparel constructed principally of **MMF** are growing.* Although MMF apparel are the second largest import fibre into the US, comprising 30 percent of total US imports in 2001, they comprised only 5 percent of US imports from South Africa in the first half of 2001. By the first half of 2002, they comprised 13 percent of US imports. This result has been driven by positive growth and by the decline in cotton apparel imports.

- *US imports of South African apparel constructed of **wool** are growing.* With 9% of US clothing imports from South Africa in wool, compared to an overall share of 6% of US imports in garments of such type. A feature of this fibre is its almost complete absence in US imports from the AGOA-5—South Africa has a unique advantage in this fibre over other regional producers.

2. The AGOA and non-AGOA Distinction in US Trade

The removal of quotas on sub-Saharan exports has broadened the base of suppliers in the region. US buyers are, therefore, differentiating sub-Saharan African suppliers based on their abilities to produce AGOA compliant garments with the associated duty benefits[18]. **While buyers will initially allow non-AGOA compliant shipments from South Africa, a supplier's long term prospects depend on their ability to supply AGOA compliant garments.** For this reason, the following analysis differentiates US imports from South Africa based on an AGOA and non-AGOA compliance distinction. The analysis shows

[17] Seasonality in exports results in nearly half of South Africa's exports occurring in the third quarter. Data for the first two months of third quarter 2002 shows a continuation of this trend.
[18] One higher end apparel buyer did not view other SSA countries as being competitive with South Africa for their products, but saw South Africa's competition coming from preferential suppliers in the Middle East, such as Jordan.

that the ability of South Africa's textile and apparel manufactures to adapt varies by fibre type and their success depends on the availability of regional\local materials[19]:

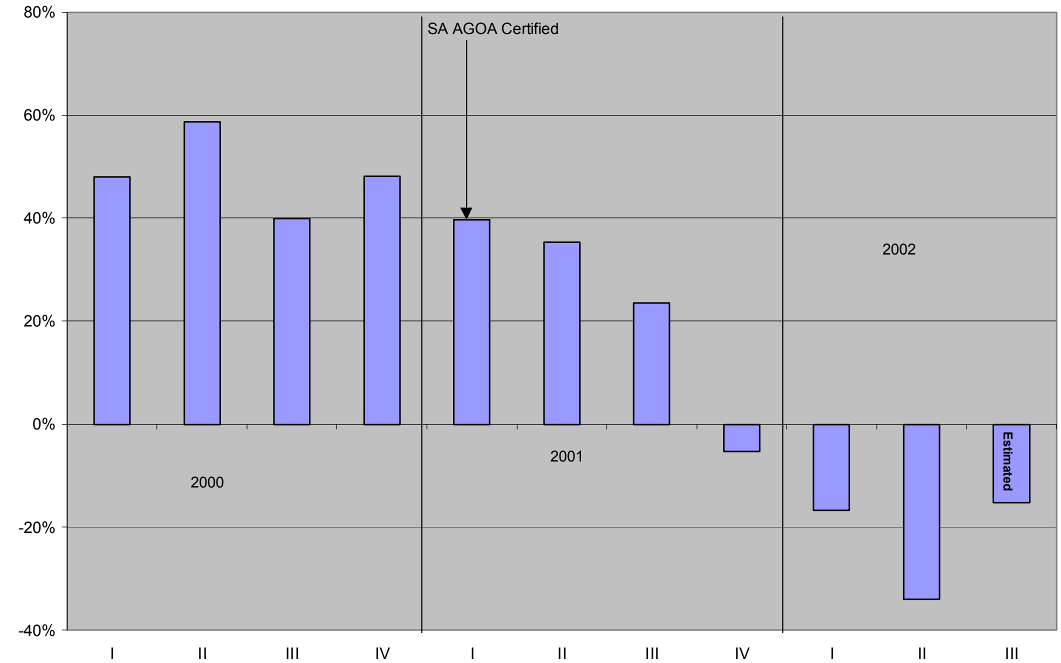
Cotton—Quarter-over-quarter growth rates of US imports of cotton apparel from South Africa are declining. This decline has been associated with a negative growth in non-AGOA compliant apparel. While exports of AGOA compliant garments have been increasing in absolute terms, their growth has not been sufficient to off-set non-AGOA loses. Figure 1. illustrates quarter-over-quarter growth of US cotton apparel imports from South Africa. Figure 2. illustrates the composition of US imports of cotton apparel from South Africa. In contrast to South Africa, positive growth in US imports of cotton garments from AGOA-4 (which are not textile constrained) has been associated with a rapid switch to AGOA compliant garments. Mauritius, which is textile constrained like South Africa, has maintained its sales. Mauritius' has been able to increasingly supply AGOA compliant garments to offset loses in non-AGOA compliant sales.

Man-made Fibres—US imports of man-made fibres from South Africa have grown under the AGOA. Sales of both AGOA certified and non-AGOA certified apparel continue to grow (Figure 3). Sales of AGOA certified garments in the third quarter of 2002 will exceed total sales of apparel constructed of this fibre type in any previous quarter. The performance of the AGOA-4 has been equally strong in this category. As noted in table 1, US duties on MMF apparel are among the highest. While the AGOA-4 have met with success in this fibre type, Mauritius has lost sales, which has been associated with its inability to source AGOA compliant fabrics of this type. It should also be noted that South Africa is home to the only two man-made fibre factories in the region—a distinct advantage for South Africa.

Wool—US imports of wool apparel from South Africa have grown under AGOA. This growth has been associated with a rapid conversion of virtually all South African exports to AGOA compliance. South Africa's exports of wool apparel to the US are unique in the region—no other sub-Saharan country has demonstrated a significant ability to export apparel of this fibre type. While exports of wool garments of every cut are growing, wool trouser growth has been strongest. The wool sectors ability to weather new competition in the quota free environment after 2005 will depend in part on its ability to continue its movement up market to greater levels of value added through improved service, branding and tailoring of sophisticated garments.

[19] The analyses in this report are conducted in US dollars. The conclusions are the same when the analysis is based in square meter equivalents.

Figure 1. Growth Rates of US Cotton Apparel Imports from South Africa 1999- 2002 (based in value)

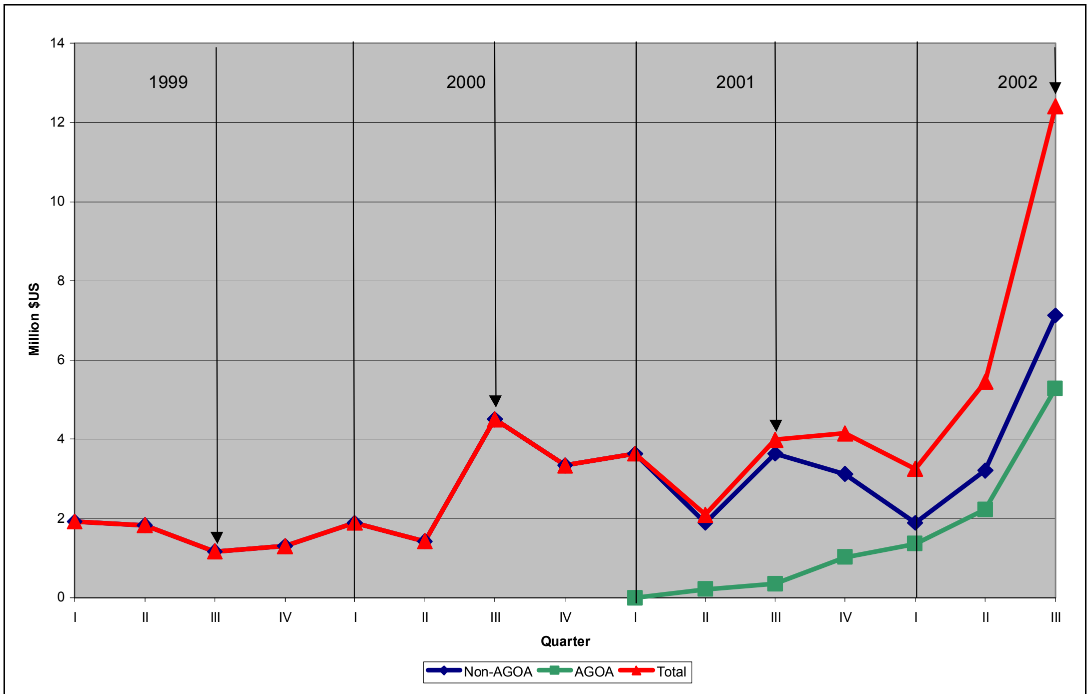


Source: Data from US International Trade Commision data Web (October 18, 2002). Estimate based on adjusted data for July and August 2002.

Figure 2. US Imports of Cotton Apparel from South Africa,1999-2002, Million $US

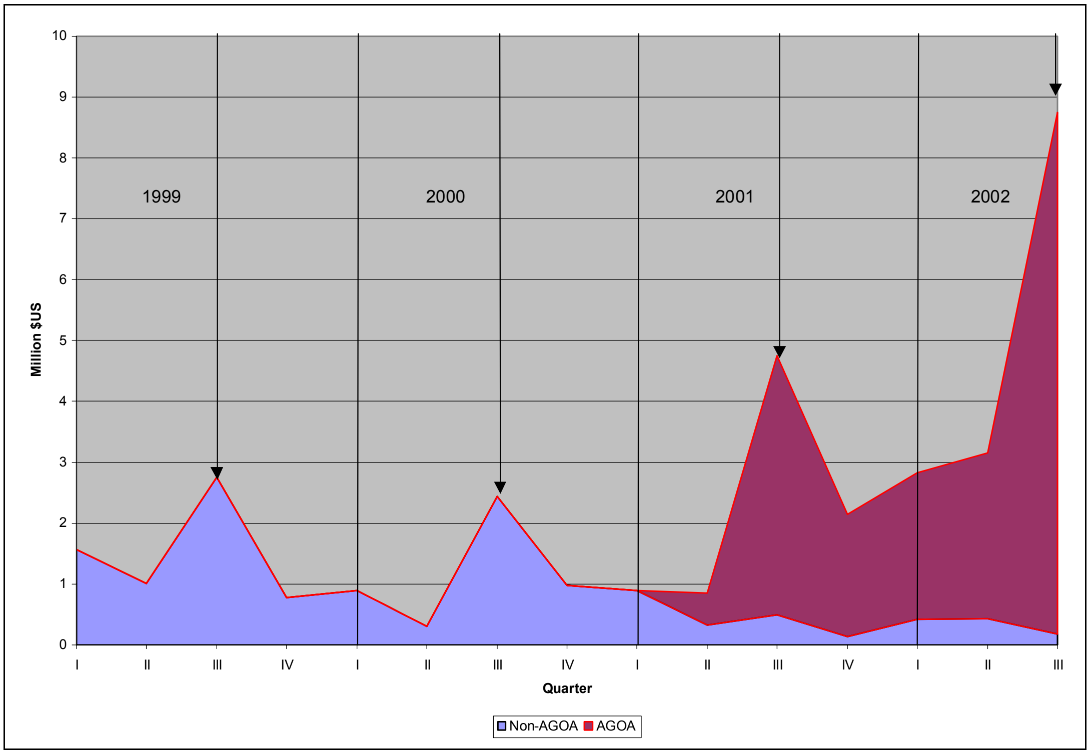
Source: Data from US International Trade Commision data Web (October 18, 2002). Third Quarter 2002 estimated based on adjusted data for July and August 2002.

Figure 3. US Imports of Man-made Fibre Apparel from South Africa 1999-2002, Million $US



Source: US International Trade Commission Data Web. Note: Third quarter 2002 data were estimated by adjusting July and August.

Figure 4. US Imports of Wool Apparel from South Africa, 1999-2002, Million $US



V. South Africa's US Export Potential

1. *Estimates of South Africa's Potential*

The AGOA agreement provided South Africa an average US duty reduction of 17.7 percent. **Estimates of the benefits South Africa could reap from this benefit alone range from an increase in exports of 32.8 percent or US $46 million per annum to 164.3 percent or US $231 US.** The difference between the two estimates is in the ability of South African exporters to respond to an increase in export demand[20].

The low estimate utilizes an export supply variable that was derived from extensive statistical analysis of South Africa's historical data (Salinger, Bhorat, Flaherty, and Keswell, 1999). That research studies' estimates conclude that South Africa's domestic textile and apparel suppliers basically treat exports as a residual business, they engaged in it when there is slack domestic demand and are not quick to take up export opportunities. Still, under this restrictive assumption, South Africa's exports to the US increase by one-third with the AGOA duty reduction alone.

The high estimate assumes South Africa can attract transnational suppliers and that wages and costs do not escalate as a result of increased production. In short, it assumes a cost free expansion of South Africa's capacity to export apparel. South Africa's total exports under this assumption: $372.2 million US per annum for a total increase of 164 percent.

Table 4. South Africa's Potential Exports to the US Based on the AGOA Duty Reduction, 2000 (Constant Dollars and Square Meter Equivalents)

	US Imports 2000		Change in South Africa's US Exports (Constant 2000 dollars)			
			Low		High	
	Total	South Africa	Percent	Value	Percent	Value
Value	55,086	141.0	32.8	46.0	164.3	231.2
Quantity	15,045	38.0	18.4	6.9	164.3	62.3
Average Price	3.7	3.7	14.4	0.5	0.0	0.0

Source: Estimates based on a partial equilibrium model of the US import market for clothing in 2000, the year prior to South Africa's AGOA benefits. Parameters are as explained in the text.

The AGOA benefit is a strong base for a country such as South Africa to grow from. Additional efforts to reduce costs and deliver quality products will have even greater effects on the margin. For example, a simulation utilizing the high supply response with the AGOA duty reduction and a 20 percent reduction in total costs[21], results in additional South African exports of US $500 million for a total export volume of US $731 million.

[20] These estimates assume the long term adjustment of the industry is achieved. The time frame to achieve this potential will depend on South Africa's policies.
[21] This could be achieved through labor or fabric cost reductions.

The export potential for South Africa also will benefit from the growing trend for U.S. companies to locate their buying offices and other back-room operations for the entire Sub-Saharan region in South Africa. This is an area where South Africa should develop policies to attract companies to make South Africa the "hub" for all SSA purchasing. The benefits are much greater than only attracting several dozen new buying and quality assurance positions. South Africa will be guaranteed that U.S. buyers and sourcing decision-makers will visit the local markets. Once U.S. buyers travel to South Africa, even those who might have initially thought about manufacturing product in a different SSA country will be introduced to the South African manufacturing opportunities. As with the continued dominance of Hong Kong for all sourcing throughout Asia, U.S. buyers will want to return to South Africa – and they will bring orders for apparel with them.

Lessons Learned from the CBI-US Textile and Apparel Partnership

In May 2001, hundreds of textile and apparel producers from the US and Caribbean gathered in Miami to build partnerships crucial to their success.

A key conclusion from the forum:

"The way CBI will work is if Caribbean garment makers can find the right U.S. fabric at the right price"

Source: Textile World, May 2001.

Not accounted for in this model, or in historical estimates of South Africa's supply capabilities, is the constraint of the AGOA rule of origin, which restricts South Africa's textile and apparel producers to using regional\local materials. As reviewed in the prior section, this has an overall negative effect on South African exports of apparel and has been a principal cause of South Africa's inability to attract investment and meet its export potential.

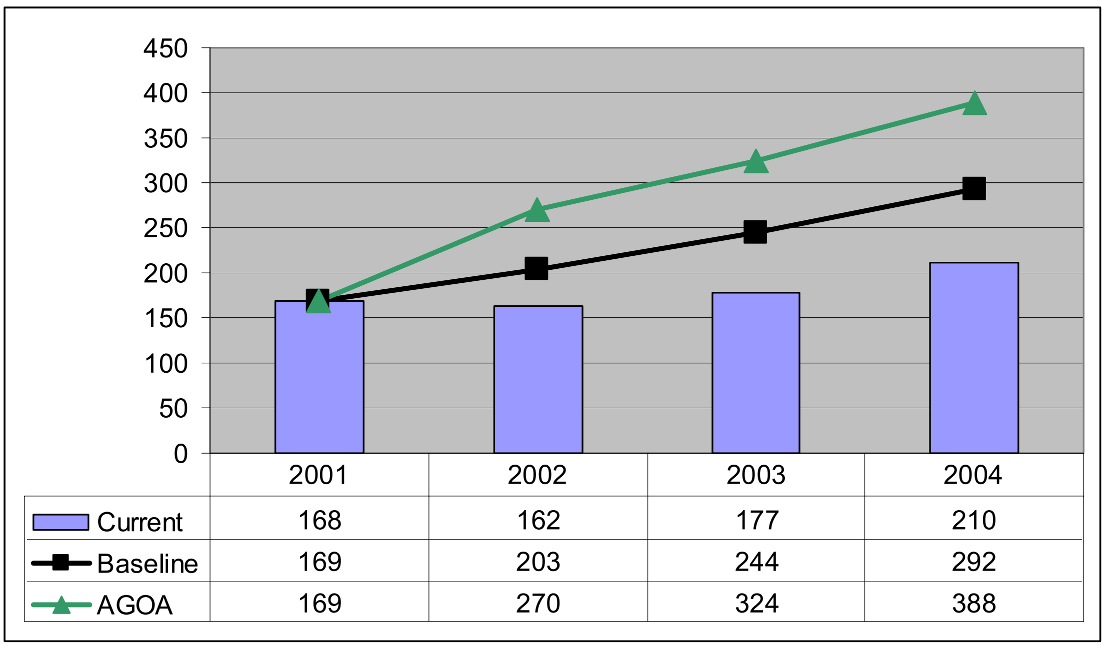
Also, the above estimates do not speculate on the negative effect of aggressive industrial policies by other sub-Saharan African countries have had on South Africa's exports. Sub-Saharan African countries, such as Lesotho, Swaziland and Kenya have been offering benefits to textile and apparel producers including lower tax rates, export processing zones, and the *formal* ability to pay labor by the piece. These developments, since the initiation of AGOA, and South Africa's lack of response, have likely had a negative effect on its exports. South Africa's potential is becoming harder to fulfill, since 20 months have passed with no major policy changes adapting to the new environment. Therefore, South Africa must double its efforts to make up for lost time. The following section takes these matters up in more detail.

Finally, recent changes in trade agreements, such as those taking place in the CBI and with the ATC could threaten South Africa's potential enough to discourage investment, rendering the high supply response moot. **In short, The AGOA agreement offers an opportunity to South Africa—if it adapts to the rules of origin and changing international competition by lowering costs.**

2. The Growing Gap between Potential and Current Exports

Figure 5 illustrates the growing gap between South Africa's potential and projected export performance. South African exports to the US under the *status quo* are projected to reach US $210 million by 2004 and are labeled "current" exports in the Figure 5. Projections of South Africa's exports based, in part, on historical growth rates are depicted as "baseline" exports. Finally, South Africa's potential exports under the AGOA agreement, under conservative assumptions[22], are projected to reach US $388 million by 2004. The growing gap between potential and current exports is expected to reach US $178 million by 2004. In other words, South Africa will have achieved only 54 percent of it potential exports to the US under the AGOA.

Figure 5. The Growing Gap between South Africa's Current, Baseline and AGOA Exports to the US, 2002-2004 Million $US



	2001	2002	2003	2004
Current	168	162	177	210
Baseline	169	203	244	292
AGOA	169	270	324	388

[22] That is using the low estimate in table 4.

VI. Paving the Way to South Africa's Potential

1. *Improving the Availability of Competitively Priced Regional Fabrics*

Interviews with US apparel buyers have revealed that AGOA compliant fabrics and yarns are rapidly becoming a pre-requisite for success in the US market. This is driven by a perception that they can obtain the garments elsewhere in sub-Saharan Africa with the AGOA duty benefits.

While access to regional materials is becoming a pre-requisite, these fabrics must also be supplied at competitive prices. Today, South African duties on fabric stand at about 23 percent. One would expect South Africa's regional\local materials carry approximately that premium. Since fabrics make up about 50% of the f.o.b. value of a typical garment exported to the US (trousers, for example) the use of local fabrics, can add approximately 11.5 percent to the f.o.b. price. This cost alone can substantially offset the AGOA duty benefit of 17 percent by nearly three quarters. If lead times for local materials exceed that of imports and\or the quality is not the same—the AGOA duty benefit on a typical pair of cotton trousers can be rendered ineffective[23].

There is a regional shortage of fabrics. Coughlin, Rubin and Darga reported in August 2001 that the entire SADC region, including South Africa, must import fabrics to meet a tremendous deficit. It also stands to reason that if South Africa does not import more fabrics, it will not have the capacities available to meet its potential, which is being defined by AGOA.

There are six clear actions that could be initiated to increase the quantity of higher quality, competitively priced, local fabrics and yarns:

- Reduce import duties on textile materials—domestic prices are affected by the level of protection, currently standing at an average of 22.5 percent[24].
- Eliminate duties on SADC and US imports of yarns and fabrics. This would eliminate the need for duty rebates and speed these regional materials to suppliers, since customs clearing could be almost immediate[25].
- Eliminate the requirement that textile producers purchase raw cotton from South African producers. Coughlin, Rubin and Darga (2001) outline the negative consequences of this policy on yarn and fabric costs, dying qualities, and finished

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[23] A recent study by Mugazi Consultants (July 2002) "A strategy for the South African Apparel Industry" also sites high materials costs within the South African apparel industry as an impediment to grwoth.

[24] Lower import duties on apparel could also be considered, since the effective rate of protection (ERP) in apparel will be increased if duties on garments are not lowered. Lowering duties on apparel could stem reported widespread smuggling and increase customs revenues.

[25] Transshipments from SADC countries would, of course, be of concern. Since a free trade agreement has been concluded with SADC countries, duties could be lowered unilaterally without violating the WTO most favored nation clause (MFN). The ability of South Africa to unilaterally lower duties on US imports would depend on South Africa concluding its negotiations for a free trade agreement with the US.

goods. It was also the most frequently mentioned problem by textile producers and by some apparel industry representatives interviewed in this study.

- South Africa's clothing and textile industries must aggressively explore the option of using greater quantities of US yarns and fabrics. South African textile producers interviewed for this study indicated a tremendous potential to use US man-made fibre materials, but noted that apparel producers were not quick to take up opportunities in the US market[26]. Duties on MMF imports into the US, as high as 32 percent, provide an ample cushion against higher costs that can be associated with utilizing regional materials. Since materials costs on a typical trouser comprise about 50 percent, a premium of 20 percent on regional materials would leave a net savings of 22 percent when regional materials are utilized. Cotton yarns and fabrics from the US face different hurdles, since they can cost significantly more than Asian materials and US duties are, on average, half those on MMF apparel. In addition, there is limited capacity within South Africa to process and finish, cheaper, *greige* goods from the US. These *greige* goods could reduce inventory costs and shorten lead times. The development of finishing capacities should be encouraged[27].
- Negotiate with unions to increase the number of shifts on existing machinery. Textile producers interviewed for this study cited this as an import determinant, not only of increased shipments, but of their ability to invest. Textile manufactures do not want to purchase new equipment unless they are using their current machinery at more than 100 percent capacity. This can only be done with an increased number of shifts.
- Finally, the textile and apparel industries, through integrated industry strategies, must match textile producers' desires to make longer production runs, with apparel producers needs for greater variety. While an integrated strategy in textiles and apparel is intuitively appealing, it is a practical challenge. South African textile manufactures have adopted the strategy of reducing fabric variety; focusing on longer runs of quality fabrics[28]. At the same time, the AGOA has eliminated the choice of using imported fabrics and yarns in relation to the US market. The South African government can facilitate this coordination in the absence of industry initiatives (the textile and apparel industries in South Africa

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[26] South Africa's largest MMF producer, Sans, is now a joint venture with the largest US man-made fiber producer Unifi Inc..

[27] One industry representative pined that South Africa's industrial environmental standards are amongst the most stringent in the region, and this has discouraged investments in dying and finishing industries, despite South Africa's advantages in access to water, electric and infrastructure.

[28] This is becoming a defining characterization of South Africa's clothing industry, since this is a supply push, rather than a demand pull. South Africa's apparel producers, therefore, must find customers to match available regional fabrics. This is, decidedly, not a niche strategy, and requires South Africa to compete in larger volume apparel channels in the US. The result of this will be an increasing focus on costs, quality and delivery to differentiate itself from other world suppliers. Apparel production will also have to expand and\or consolidate to produce the longer product runs required by volume purchasers and to meet cost targets. Interviews with apparel manufactures that had adopted this coordinating strategy reported initial problems with the switch over to longer product runs. But, once the switch was made, they were generally pleased with the results. Still, no SA apparel producers interviewed had embarked on extensive expansions of capacities, but favored incremental changes, increasing the utilization of existing space in factories or complexes.

do not exhibit a high degree of coordination). For this strategy to obtain maximum potential, the industry and government must identify the products and marketing channels into which these products can compete and educate the apparel industry on these. This process should have a revolving door. Industry should work to identify products with export potential in the US and culture the production of these fabrics too[29].

2. Promoting a Flexible non-Confrontational Work Environment

Apparel manufactures face a difficult and competitive climate where scheduling future production is difficult. Large, short term orders, with potential for long term growth are sacrificed when apparel producers are confronted with inflexible and costly labor regulations. Rigid labor policies run against the grain of the apparel industry and stifle growth, since producers are wary of legacy costs when retrenchments might be required.

To attract large transnational firms and to stimulate growth in the domestic garment industry, it is important that South Africa puts forth national legislation to "formalize" certain labor rules that are basic in the world manufacture of clothing. The South African government can work with Unions, industry and legislators to fine tune new laws to fosterer a flexible labor market. These would include:

- Payment of workers based on performance and output encouraging entrepreneurship at the employee or group level;
- increasing shift work especially during peak production periods; and
- reducing retrenchment costs encouraging producers to accept the risks associated with new orders, expanding production and employment.

These policies need to be visibly effective; since foreign and domestic investors are skeptical of regulations pushed through traditional channels.

The fabrics in a typical pair of cotton trousers are the largest cost producer's face. Labor is the second highest cost category—comprising about 42 percent of a typical pair of trousers constructed in the centralized regions[30]. Despite this, South African producers, almost unanimously, agreed that wages in South Africa could be competitive with some of the low cost producers in Asia.

Reserves of low cost labor exist. This is masked by the diversity of South Africa's labor market, which is defined by the centralized, de-centralized geography and the formal and informal sectors. In general, the centralized areas are the urban centers, such as Johannesburg, Durban and Cape Town. The decentralized areas are rural. The formal sector is governed by the existing labor laws and collective bargaining agreements

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[29] The duty analysis set forth earlier in this paper shows there are significant tariff benefits that differ across products in the US. Of note—knit MMF apparel offer the greatest opportunities in the US market.

[30] The above illustration is for a typical centralized clothing manufacture. Interviews for this study put labor costs at about 30 percent of a garment value in the decentralized areas.

between unions and employers. The informal sector has arisen, in part, due to rising unemployment to circumvent costly national labor regulations and bargaining council restrictions. The informal sector is developing under an alternative employer umbrella association (Confederation of Employers South Africa (or COFESA, also a labour consultancy) which plays a role in the contracting out of clothing production to smaller enterprises and blurring the line between the formal and informal sectors. For a series of reasons, wages in South Africa's clothing industry run a gambit from as low as US $50 per week, in the decentralized areas, up to possibly about US $180 per week in the urban areas. Indeed, some manufactures readily confided, if you looked in the right place, you could find wages as low as $90 a month in South Africa. These wages could compete with the lowest cost Asian countries. Moreover, excess labor is typically in the decentralized areas

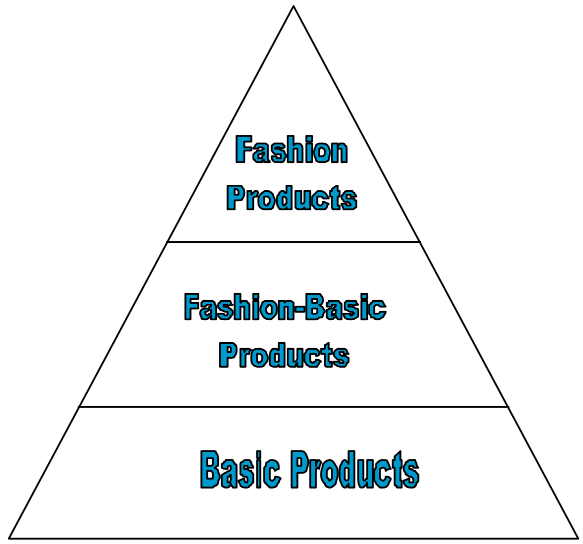
This wide range of wages also gives rise to varying marketing, product and production strategies. Where wages are highest, a producer focuses on niche products—short runs and modest, but higher margin sales constructed with skilled labor. One producer in a centralized area noted that it took him three years to get a machinist to be up to full-production capabilities. In contrast, lower wage firms, producing standardized products with longer runs can train a machinist in 3 to 6 months.

If South Africa is to meet its potential exports to the US, it will likely have to focus on basic and basic fashion garment where lower wages prevail over productivity advantages that accrue in the longer run. This is the manufacturing segment that can rapidly expand. This subject is taken up in more detail in the next section.

3. Appropriate Market Segments for Near Term Success

The restrictive rules of origin, higher marketing costs, long lead times and employment objectives of South African government mandate a focus away from high fashion items. While high fashion items are attractive, offering long term potential, they require considerable marketing effort and expense. The high fashion market segment is characterized by established suppliers whom buyers favor over new entrants; a history of networking and contacts is prerequisite. These networks are developed with established expatriates located in market centers such as New York and Los Angels. South Africa's near term potential in the high fashion segment are, therefore, limited.

Figure 6. The Fashion Pyramid



Source: A Stitch in Time, Oxford University Press, 1999.

In order to compete in the basic product range, where many of South Africa's exports currently lie, costs must be competitive with strict international standards. This segment is where the most rapid growth can be achieved; however, it can be lost just as rapidly. The competition to produce basic products is intense – the major apparel manufacturing countries, from China to India to Mexico – are all focused on trying to build market-share for these products.

Finally, the Fashion-Basic segment requires a greater focus on delivery times, services, quality and product range over cost. While the services play a greater role in this segment, cost is an implicit criteria and it is a supplier's ability to manage a high level services while controlling costs that defines this segment. In fact, management of services and costs is a primary requirement. Buyers in this segment usually are looking for "full package" producers that can manage every detail of the supply chain, from fiber to the showroom floor. These services include design, quality control, cutting, sewing, sourcing raw materials, logistics, and labeling. Apparel companies successful in this market segment are moving toward close coordination with textile producers and retailers. Integrated transnational firms in South Africa, such as Novel Denim, are advancing these methods to the expectations of buyers.

There should be no illusion about the ability of small and micro enterprises (SMEs) being able to compete for the majority of export business. The international market for garments is very mature, so scale economies and proven experience are highly valued. SMEs can not sustain the high costs of international marketing. Nor can they produce the long runs of high quality garments major markets require. As was mentioned earlier, US buyers are looking for suppliers who have full-service capabilities, and SMEs rarely have the capabilities to meet these demands. This does not mean that SMEs so not have a role to play; they can coordinate with larger firms for piece work and supply the domestic market, where their capabilities are suited.

In the post-2005 world, the South African industry will need to be able to offer production following two very different economic models. Many U.S. companies will continue to base their sourcing strategies on their ability to find suppliers who can produce a wide range of apparel. However, there are a growing number of U.S. companies who also look for increased “verticalization” in their post-2005 imports. U.S. companies are planning to reduce the number of locations where they will source product after the quotas are eliminated on December 31, 2004. For some U.S. buyers, they want to ensure that the apparel manufacturer is closely located and linked with the fabric manufacturer and the yarn spinner. Even though the companies do not need to be formally linked (through shared ownership or joint ventures), the U.S. buyer likes to know that there is a close working relationship between the vendors who are essential to complete the product—on time. The ability to shorten lead times and improve quality by working with “vertical operations” would be a strong selling point for South Africa.

4. Levies and Taxes

Since the first two tiers of the garment market have a high emphasis on costs, producers must have access to the cheapest materials and resources. Most countries provide for rebates of VAT taxes on exports. In addition, they provide duty rebates on imported materials. In practice these programs can be mired in government bureaucracy and long delays in payments, which reduced availability of scarce working capital, South Africa is not an exception.

South Africa has two programs to compensate for these higher costs, the Duty Credit Certificate Scheme (DCCS) and rebates schemes (namely the 470.03 of the Customs Schedule Number 4 for clothing - Customs and Excise Act, 1964). The DCCS program is currently being phased out. At the same time, South Africa’s manufactures still confront higher costs from cumbersome VAT rebate programs and slow duty drawbacks.

The lack of detailed data on DCCS firms and their performance makes it difficult to assess the usefulness of the program. Therefore, commentary on DCCS is based on reason alone, not demonstrated performance. This report does not encourage an elimination of the DCCS in isolation of other factors. DCCS compensates for higher production costs in South Africa. At least part of the DCCS rational would be eliminated through efficient duty rebates or a duty suspension system (indeed, many decentralized producers opt for duty rebates over DCCS). Lowering duties on imported fabrics and materials (elimination of duties in the case of US and SADC fabrics and yarns) would further reduce the need for DCCS, by putting pressure downward on domestic textile prices. The long term vision of the industry should be to move toward efficient allocation of resources such that producers can compete at world prices. DCCS is a stop gap measure that has been in place for ten years or more. DTI can address what ails the system through policy actions listed above.

A primary concern with DCCS in the near-term is that it has questionable effects on attracting foreign\new investment, and instead is reported to favor established producers in the centralized areas. As such, it has encouraged these producers to remain in high cost manufacturing areas, rather than seek lower costs in decentralized areas. DCCS has likely retarded producer's movement away from the centralized high cost areas.

A program that would have greater impact on near-term exports would be one that makes funds available when production decisions are being made, rather than months (some say more than a year), after production has taken place. The DCCS funds could be effectively applied to an export financing arrangement that is available to all firms, foreign and domestic and provide cash when it is most needed.

In practice, the refund of duties and rebates is hard to manage for most governments. This is an important factor in considering the establishment of designated Export Processing Zones (EPZs), since they facilitate a reduction in these costs and allow imported materials to rapidly move through customs. An EPZ can help balance the conflicting interests of customs agents, revenue institutions and producers and is an option that should be considered for long term growth and attracting foreign investments.

5. *Ports and Transportation Networks*

Significant delays exist at South African ports. In particular, Durban has been cited as being congested, subject to work stoppages and frequent delays. Ships departing South Africa take on average 25 days to reach the east cost[31]. In contrast ships leaving parts of Asia take on average 9 days to arrive on the US West Coast and ships departing the Caribbean and South America can reach major US ports in a little as 3 days. While there are tremendous differences in lead times, these are compounded by local delays. The DTI must insure a rapid transportation network.

VII. CONCLUSION

In conclusion, the AGOA agreement is defining South Africa's US export potential. Not simply because of the duty benefit, but because it has brought new competition as well. Whatever the rights or wrongs of the AGOA rule of origin South Africa must address the fabric shortage above all else to meet its potential. It was demonstrated that when regional fabrics were made available, exports respond favorably. South Africa faces a distinct disadvantage in Sub-Saharan Africa; since locating in South Africa imposes a stringent rule of origin transnational firms are unlikely to embrace.

South Africa's potential must also be considered in the larger context of US trade agreements. A degree of risk has to be assigned due to producers in the CBI, Asia and even SSA being provided increasing access to the US market. This competitive threat no

[31] The average number of sailing days is 21, but ships depart at about the rate of 2 per week. Therefore, the average number of days waits increases the total shipping time.

doubt has dampened interest from transnational textile and apparel producers intending to locate in the sub-Saharan Africa region, including South Africa.

With these facts in mind, South Africa will probably have to double its efforts to attract the needed investment to reach its highest possible potential. These efforts include addressing the fabric shortage, reducing costs at all levels (labor, duties and levies), and providing swift ports and air terminals to compensate for its long reach to the US market. Meeting these objectives has pronounced importance for South Africa's long term prospects, as well. In October 2004 it will confront intense competition for the precious regional fabrics that its success will be dependant on unless the LDC provision of the AGOA is extended[32]. Shortly there after, in 2005, the all important quotas shielding so much of South Africa's trade from the low-cost Asian producers will be removed. **If South Africa has not moved to meet the demands of the international market by 2005, it will confront shrinking orders, rising unemployment and closed supply lines to the US market.** Finally, implementing the recommendations presented in this paper will send a clear message to both domestic and international apparel producers—South Africa is serious about meeting the competition and has a sound plan to achieve it.

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[32] It would not be wise to speculate that this provision will be extended. Producers in the Andean Trade Pact and CBI are all too familiar with the unpredictable nature of US legislation in regard to preferential trade agreements.

APPENDIX I – INTERVIEWS

DTI
Tembeka Mlauli
Fikile Ntuli
Elaine Smith
Barbara Bieldt
Shareen Osman
Sake Van der Wal
PJ Molsaine
Moloko Leshaba
David Kaplan
Martin Nicol

Trubok
Ralph Roytowski

Transvaal Clothing
Liz Kingsburgh
Michael Destombes

UTI
Wendy Committie
Dave Harvey

Paul Theron
Attended SA Fashion Week

Polo
Gordon Joffee

Paarl Clothing

Texfed
Martin Viljoen

Textile Federation
Walter Simeoni

The South African Export Council
Jack Kipling

SBH Cotton Mills
Nigel Irvine

BMD

Horst Prader

House of Monatic
Brian Buckingham

Sans Fibres
Barrie Evans
Igsaan Salie

Hip Hop Clothing
Chris Hinde

Elzet Clothing
Mare Dryer

Bibette Clothing Manufactures
Kenny Winer

Park Avenue
Peter Sanderson-Smith

SA Fine Worsteds
Dieter Mielke

Seardel Investment Corporation
Bernard Richards

Natal Clothing Manufactures' Association
Len Smart

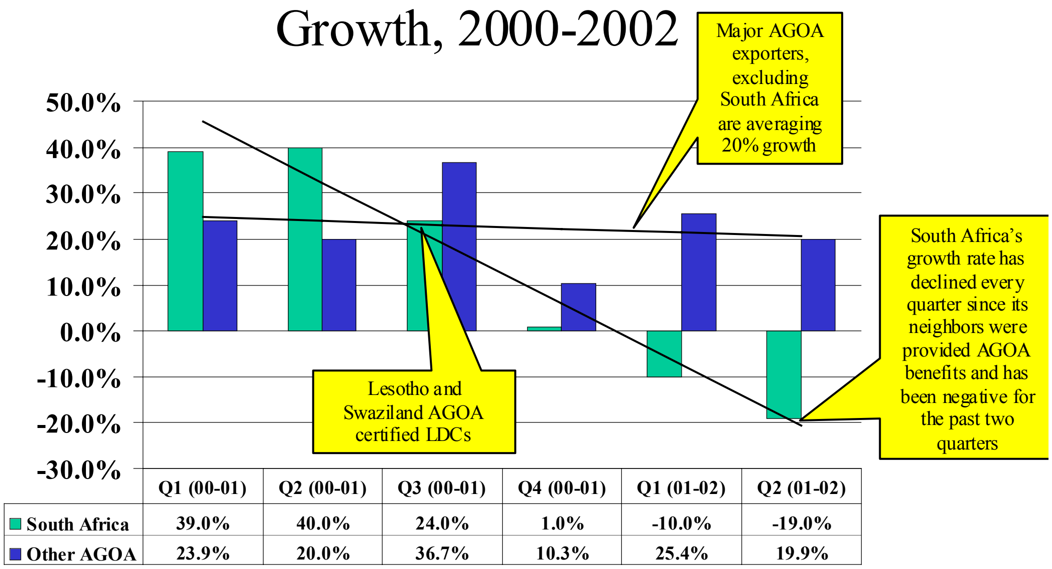
APPENDIX II –DATA AND FIGURES

Sub-Saharan African Countries Provided AGOA Textile Benefits

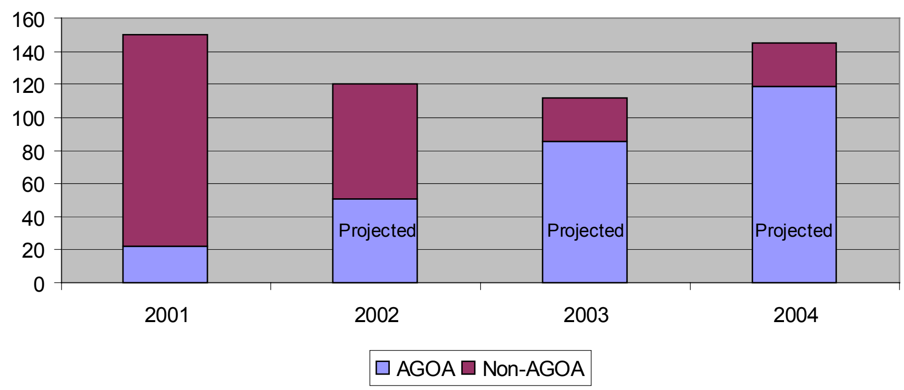
Country	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4
Kenya (January 18, 2001)	X							
Mauritius (January 19, 2001)	X							
Madagascar (March 6, 2001)	X							
South Africa (March 7, 2001)	X							
Lesotho (April 23, 2001)		X						
Swaziland (July 26, 2001)			X					
Botswana (August 27, 2001)			X				O	
Ethiopia (August 2, 2001)			X					
Malawi (August 15, 2001)			X					
Uganda (October 24, 2001)				X				
Namibia (December 3, 2001)				X			O	
Zambia (December 17, 2001)				X				
Tanzania (February 4, 2002)					X			
Mozambique (February 6, 2002)					X			
Cameroon (March 1, 2002)					X			
Ghana (March 20, 2002)					X			
Senegal (April 23, 2002)						X		
Côte d'Ivoire							X	

X-Granted textile benefits.
O-Granted LDC Status.

US Apparel Imports From South Africa and AGOA-5 Countries, Quarter-over-Quarter Growth, 2000-2002

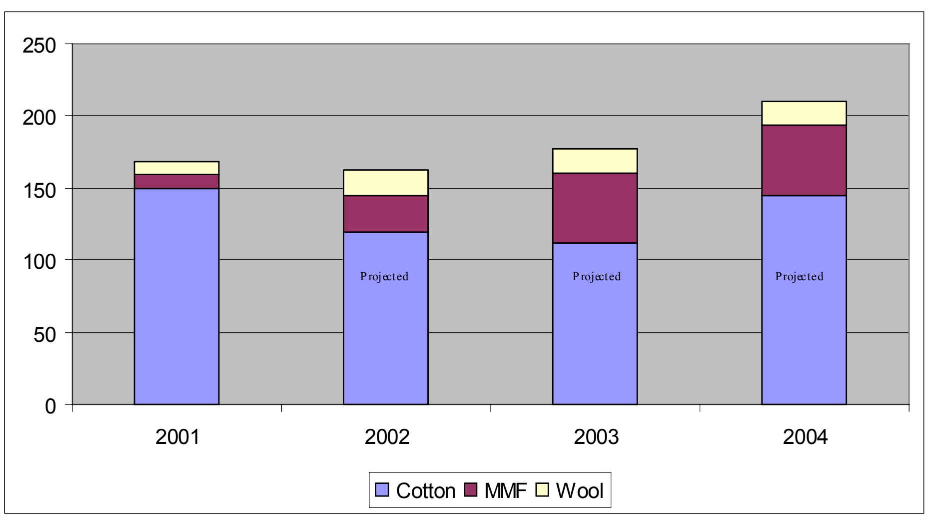


Forecast of US Imports of Cotton Apparel from South Africa Based on Current Trends (Million $US)



Source: Projections by the Authors based on linear regression.

US Imports of Apparel from South Africa Baseline 2002 - 2004 (Million $US)

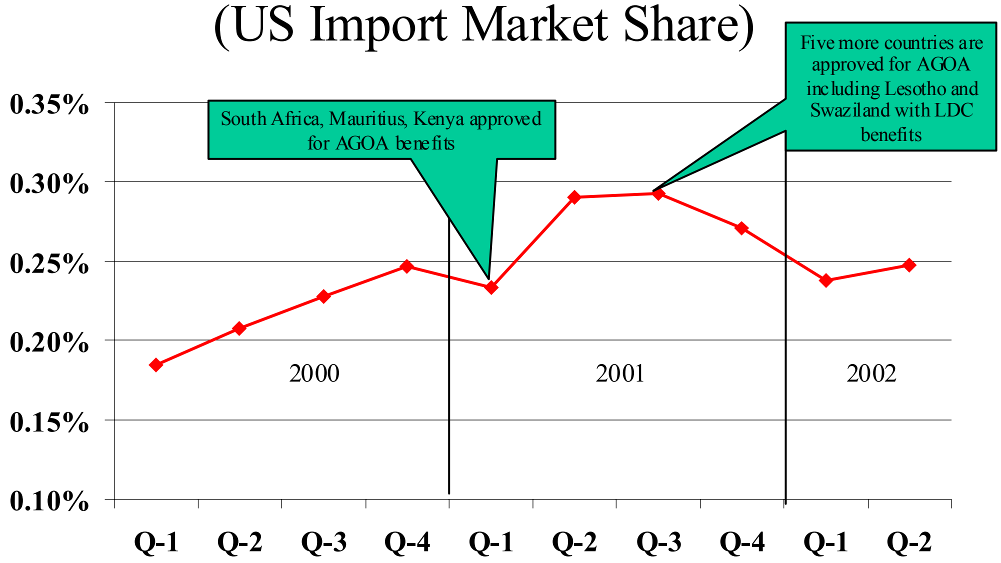


Time Required for Ocean Shipping Between the US, South Africa and Other Ports (Shipping Days)

	Ocean Freight						
	Inbound to the US			Outbound from US			In plus out bound transit total
	Shipping Days	Avg. Number of Days Wait	Total	Shipping Days	Avg. Number of Days Wait	Total	
Port Louis, Mauritius - Long Beach	--	--	--	27	6	33	--
Namibia, Walvis Bay	37	13	50	34	(a)	--	--
Nairobi, Kenya - New York	48	13	61	45	17	62	123
Cape Town, South Africa - New York	21	4	25	28	6	34	59
Durban, South Africa - New York	22	3	25	34	6	40	65
Hong Kong, China - Long Beach	12	0	12	18	0	18	30
Cartagenia, Colombia - Miami	2	7	9	4	5	9	18
Pt. Castilla, Honduras - Miami	2	7	9	4	3	7	16
Port-o-Prince, Haiti - Miami	4	3	7	4	3	7	14

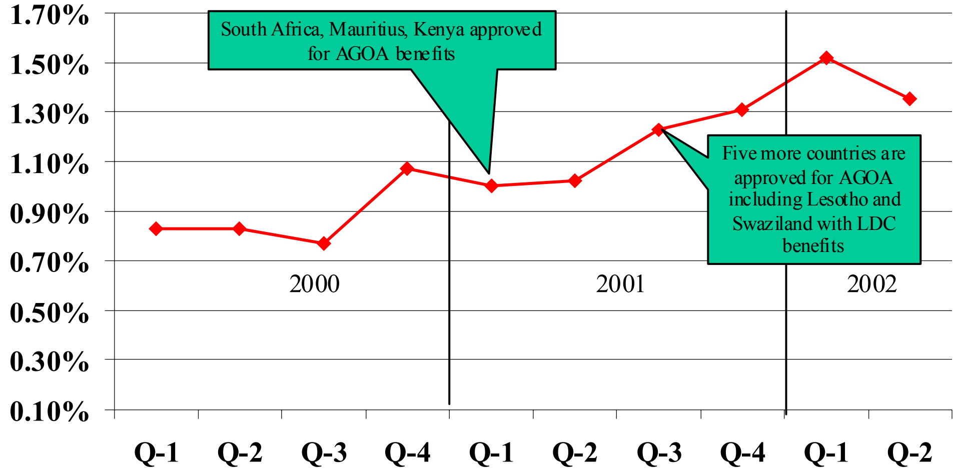
Source: ShipGuide.com.
(a) Number of days wait can exceed 30 and so are not reported (the wait exceeded the sample size).

US Imports of Apparel From South Africa 2000-2002 (US Import Market Share)



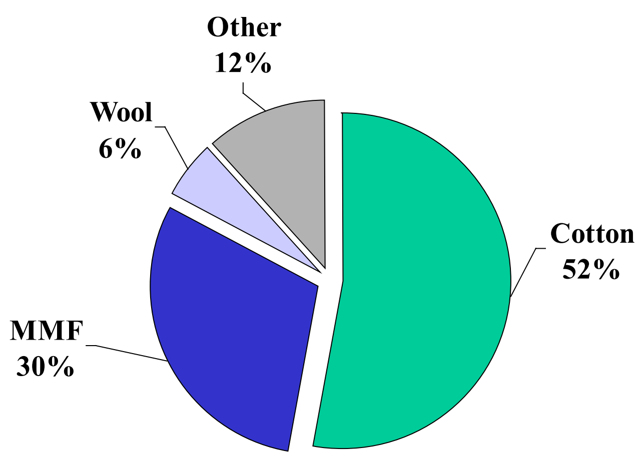
Source: US Department of Commerce.

US Imports of Apparel From AGOA-5 Exporters 2000-2002 (US Import Market Share)

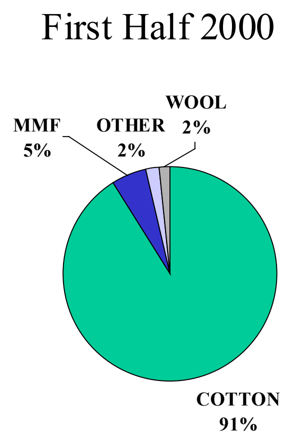


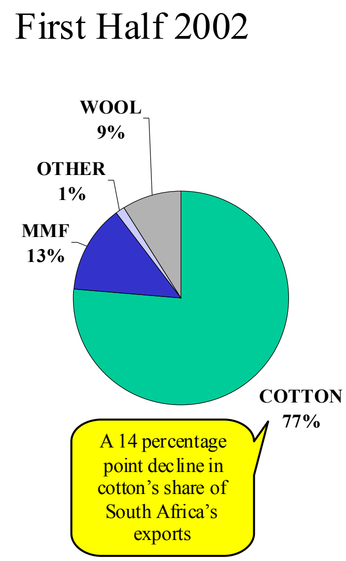
Source: US Department of Commerce.

US Imports of Apparel By Fiber Type, 2001($58.4 Billion US)



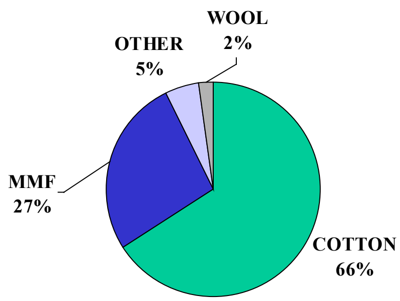
US Imports from South Africa, by Fiber Type 2000-2002



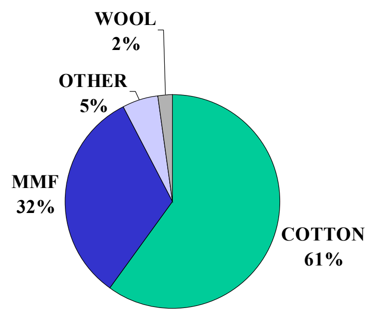


US Imports of Apparel from Major Preferential Suppliers, by Fiber Type 2001

CBI

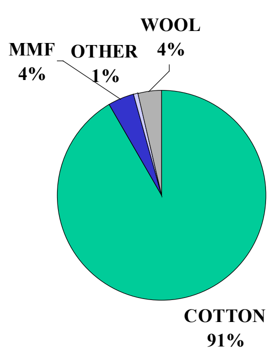


Mexico

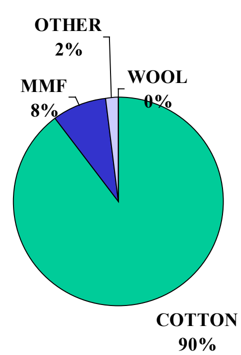


US Imports of Apparel from the AGOA-5 Exporters, by Fiber Type 2000-2002

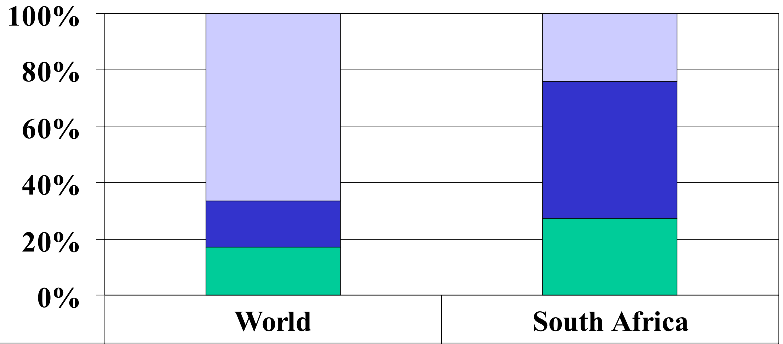
First Half 2000



First Half 2002



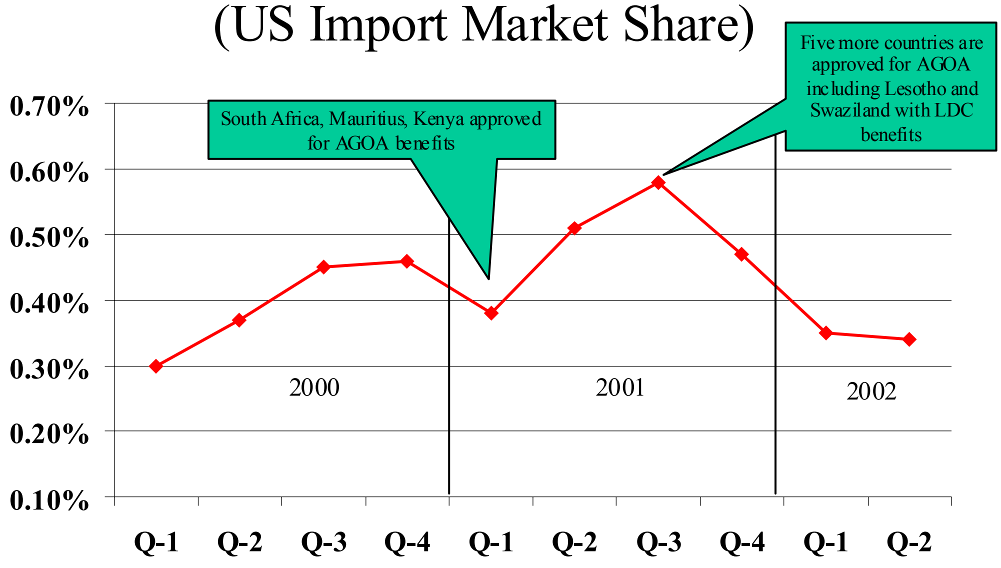
US Imports of South African Apparel, Import Market Shares of Selected Products, 2001 (Based on Value)



	World	South Africa
Other Apparel	66%	24%
Cotton Knit Shirts	16%	48%
Cotton Trousers	17%	27%

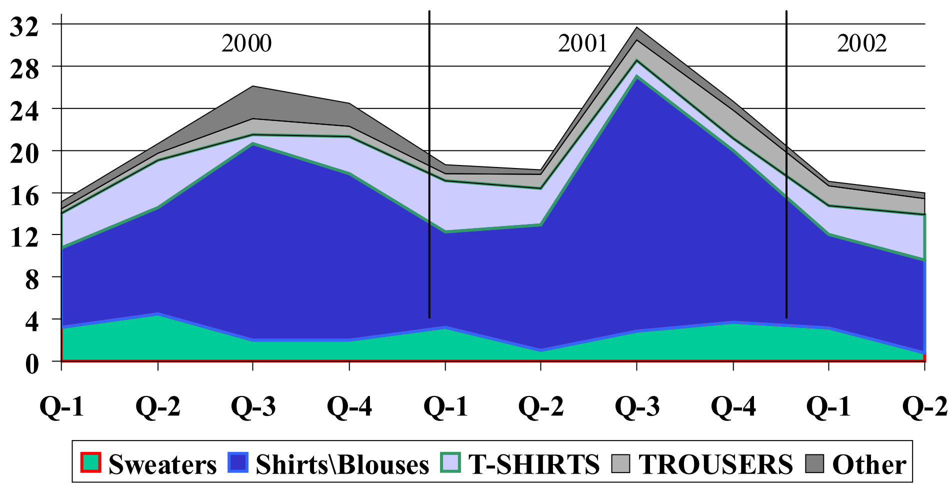
Cotton

US Imports of Cotton Apparel From South Africa 2000-2002
(US Import Market Share)



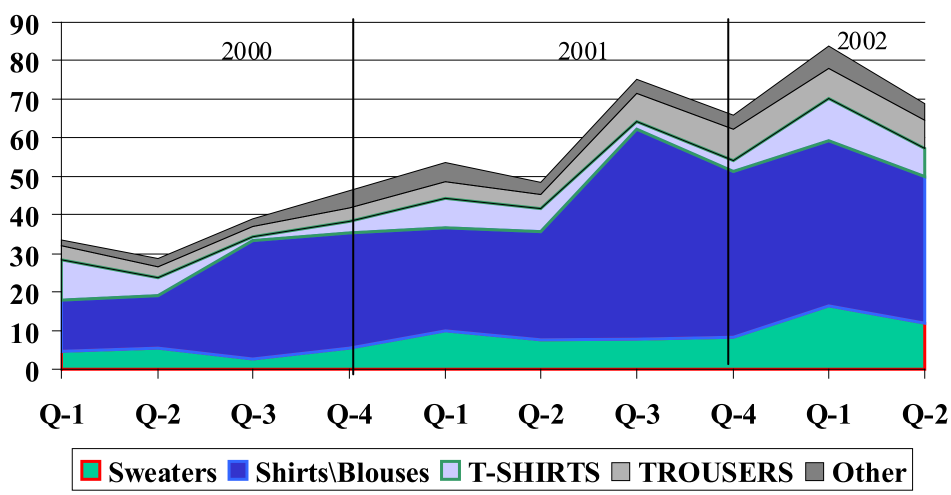
Source: US Department of Commerce.

US Imports of Cotton Knit Apparel From South Africa 2000-2002 (Million $US)



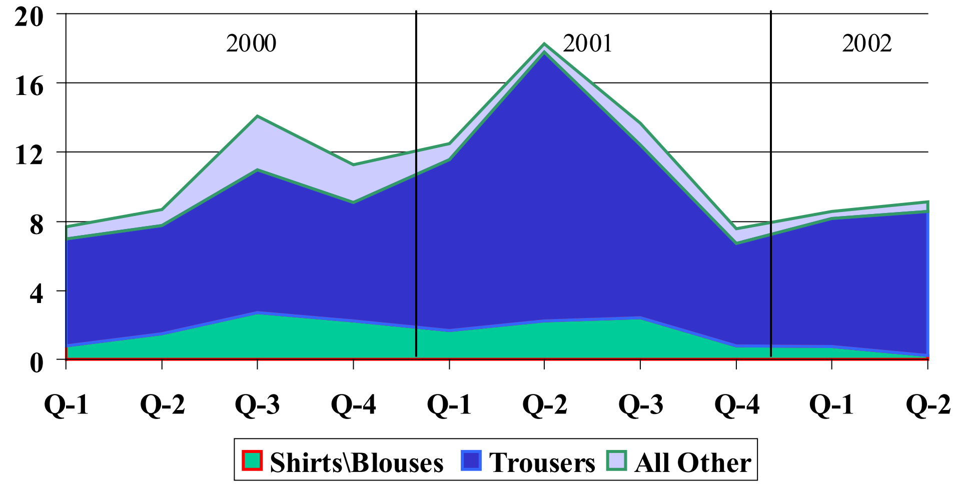
Source: US Department of Commerce.

US Imports of Cotton Knit Apparel From The AGOA-5 Exporters 2000-2002 (Million $US)



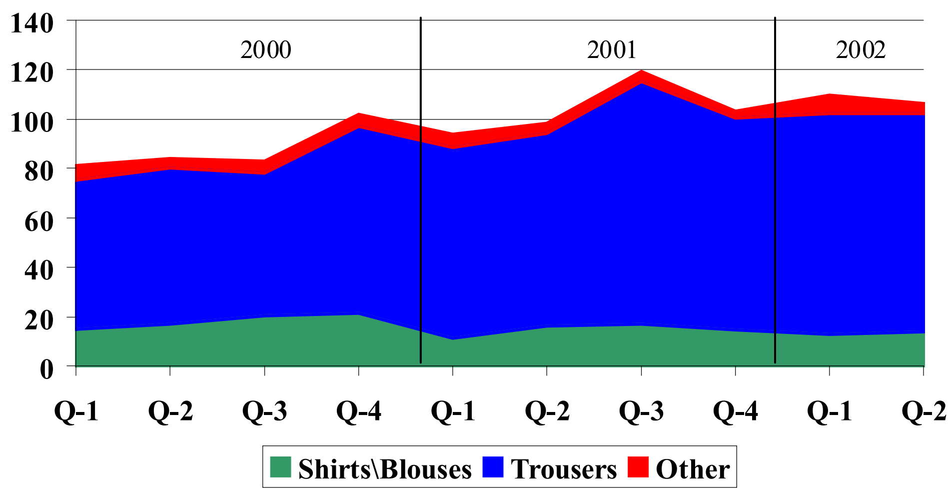
Source: US Department of Commerce.

US Imports of Cotton Woven Apparel From South Africa 2000-2002 (Million $US)



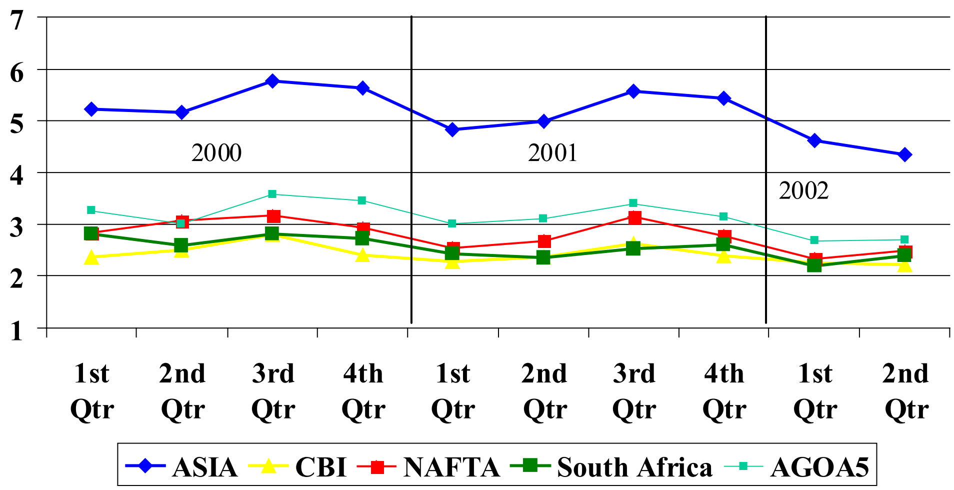
Source: US Department of Commerce.

US Imports of Cotton Woven Apparel From AGOA-5 Exporters 2000-2002 (Million $US)

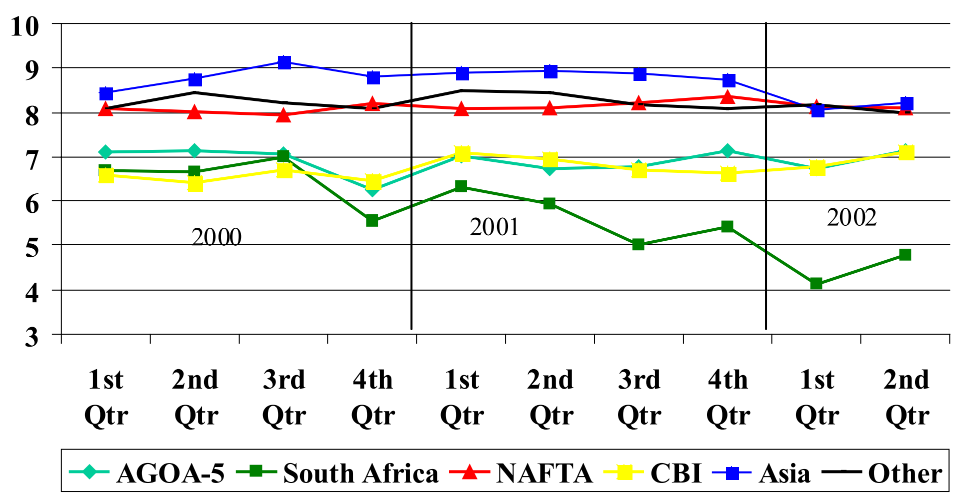


Source: US Department of Commerce.

US Imports of Men's and Women's Cotton Knit Pullover Shirts Average Unit Values $ US per piece (2000-2002)

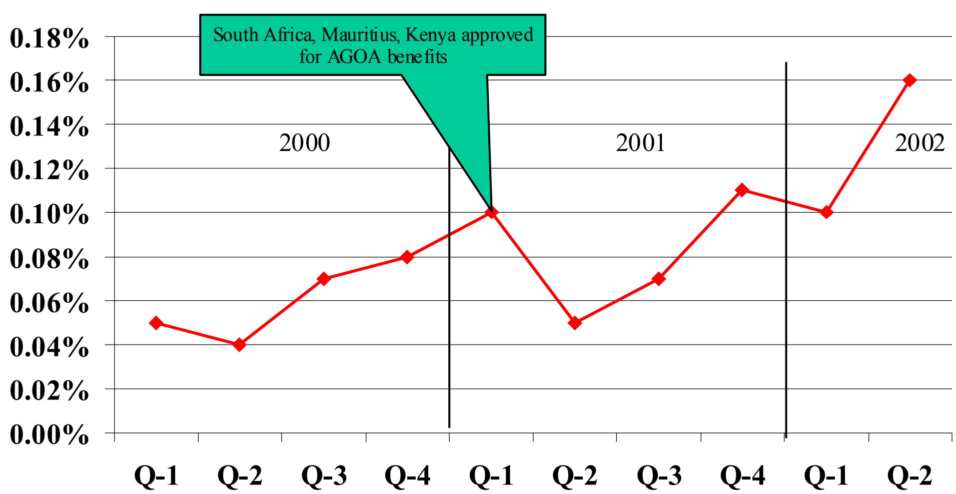


US Imports of Men's and Women's Blue Denim Trousers Average Unit Values $US per piece (2000-2002)



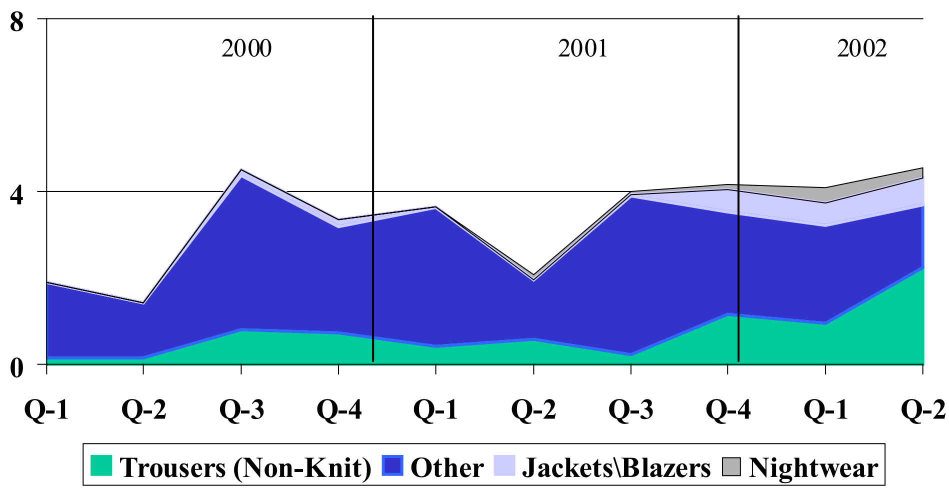
Man-Made Fibers

US Imports of Man-made Fiber Apparel From South Africa 2000-2002
(US Import Market Share)



Source: US Department of Commerce.

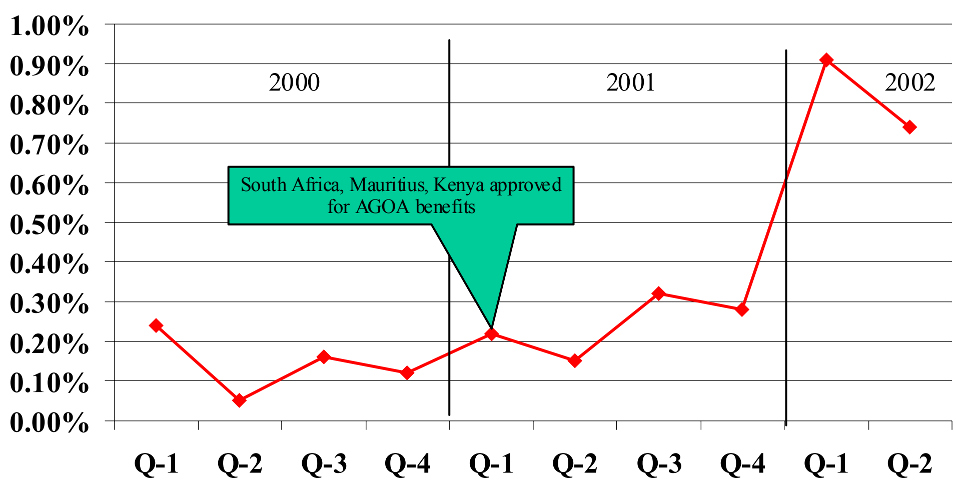
US Imports of MMF Apparel From South Africa 2000-2002 (Million $US)



Source: US Department of Commerce.

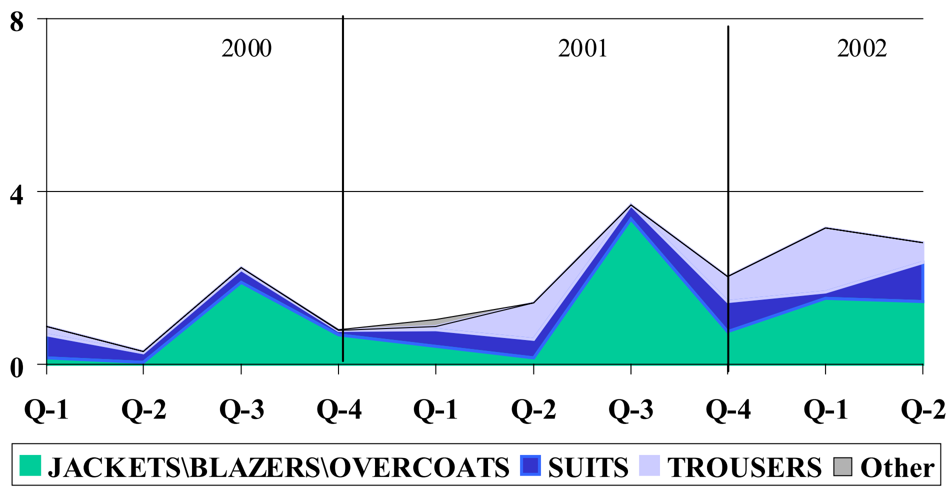
Woven Wool

US Imports of Wool Apparel From South Africa 2000-2002
(US Import Market Share)



Source: US Department of Commerce.

US Imports of Woven Wool Apparel From South Africa 2000-2002 (Million $US)



Source: US Department of Commerce.